



# Qualified Small Employer Health Reimbursement Arrangement (QSEHRA)

## A New Type of Employer Healthcare Arrangement

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On December 13<sup>th</sup>, 2016 the 21<sup>st</sup> Century Cures Act was signed which created Qualified Small Employer Health Reimbursement Arrangements (QSEHRA). This allows for the reimbursement of individual health insurance premiums and qualified medical expenses to the employee by the employer. Payments are tax-free\* to employees and tax deductible for employers.

### Who is Eligible? Small employers — Under 50 employees

The employer must not be an applicable large employer (ALE) under the ACA's employer shared responsibility provisions. In addition employers are prohibited from offering any group **health plan** to any of its employees.

### Eligible Employees:

Generally, all employees must be offered coverage under the QSEHRA on the same terms. However, there are several important exceptions to that rule: Certain classes of employees can be excluded from the QSEHRA:

- Part-time or seasonal employees, union employees and employees under age 25. **(Note that the definition of part-time and seasonal here is not the same as under the ACA.)**
- Different benefit levels can be offered for single and family coverage.
- Different benefit levels can also be offered based on the employee's age and number of family members.

Also, in order for any amounts received under the QSEHRA to be tax free\*, the employee must have some other form of minimum essential coverage (MEC) — an individual health insurance policy, coverage under a spouse or parent employer’s health plan or some government health plan, like Medicare.

### **Maximum Employer Contribution and Eligible Benefit**

For 2019, the maximum benefit under a QSEHRA cannot exceed \$5,150 for single coverage or \$10,450 for family coverage.

Those amounts must also be prorated if the employee is not covered by the QSEHRA for the entire year (e.g., in the case of a new hire or terminated employee). Solely the employer must fund the benefit with no contributions from employees.

### **Employees can use QSEHRA funds to pay for:**

- Individual health insurance premiums
- Eligible medical expense under IRS §213(d), such as copays, deductibles and coinsurance, as well as dental and vision expenses.
- Employers are not required to open up the QSEHRA to all eligible expenses; it is a plan design choice what the employer will allow the QSEHRA funds to be used for.

### **QSEHRAs and Marketplace Coverage**

The employee is required to disclose the amount of benefits available under a QSEHRA to the exchange, which will then take that benefit into account when determining whether the employee is eligible for a premium subsidy

### **QSEHRA Administrative Requirements**

The employer must provide a written notice to eligible employees 90 days before the start of the plan year spelling out: the amount of benefit available for the coming year, that the employee is required to notify the exchange of the QSEHRA if they apply for a subsidy and the consequences of not having other MEC. This document created each plan year and currently has some transitional relief allowing employers to send up to 90 days after the QSEHRA is implemented but is subject to change.

The employer must obtain “**proof of coverage**” before reimbursing any expenses under the QSEHRA. Unlike regular health reimbursement arrangements (HRAs), an employer does not need to offer COBRA on a QSEHRA.

**Smart Choices** provides both the legal documents and the ongoing administration services for employers for the Qualified Small Employer Health Reimbursement Arrangement (QSEHRA) Section 18001 of the Cures Act December 13, 2016.

## **QSEHRA Services provided by Smart Choices:**

### **QSEHRA Consulting Services**

Consult with the employer on eligibility and provide guidance on the regulation.

### **QSEHRA Documents**

- ERISA Plan Document
- Summary Plan Description (SPD)
- HIPAA Privacy Disclosure
- Written Notices to Employees
- Non Discrimination Testing

### **QSEHRA Reimbursement Validation**

- Proof of Coverage Validation Services
- Employee Claim Assistance for Reimbursements
- All reporting for QSEHRA Services both employer and employee

### **Pricing for 2019 –**

- Documents Only - \$600
- Reimbursement Validation Services including claims advocacy \$15.00 PEPM (min \$150 monthly fee)

At **Smart Choices**, we strive to be a trusted advisor to small businesses and their employees. Additionally, we provide resources and documents on HSA, FSA, QSEHRA, and POP plans as well as connections to supplemental coverage's for travel, id theft, Tele-med services and prescription discounts.

For More Information Contact:

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